

State of Alaska FY2010 Governor's Operating Budget

Department of Administration Finance Component Budget Summary

Component: Finance

Contribution to Department's Mission

The mission of the Division of Finance is to provide accounting, payroll, and travel services for state government.

Core Services

- General ledger accounting including budgets and vendor payments for all three branches of government.
- Electronic commerce services including electronic vendor payments and the One Card Alaska credit card payment program.
- Payroll processing and accounting for all three branches of state government.
- Comprehensive Annual Financial Report and other statewide reporting responsibilities, including oversight of state single audit requirements.
- User documentation and information technology to support all services.

End Result	Strategies to Achieve End Result
<p>A: State payroll processing is accurate and timely.</p> <p><u>Target #1:</u> 100% of payroll transactions are processed without penalty pay caused by central processing problems.</p> <p><u>Status #1:</u> 100% of payroll transactions processed without penalty pay caused by central processing problems (FY2004 - FY2008).</p> <p><u>Target #2:</u> Maintain unscheduled downtime of the statewide payroll system (AKPAY) at less than 0.5%.</p> <p><u>Status #2:</u> FY2008, maintained less than 0.5% of unscheduled downtime of the statewide payroll system (AKPAY)--.11% for FY2008.</p>	
End Result	Strategies to Achieve End Result
<p>B: Vendors and grantees are paid timely.</p> <p><u>Target #1:</u> Increase dollar value of EDI payments by 5% per year.</p> <p><u>Status #1:</u> FY2008, \$3.8 billion dollars paid via Electronic Data Interface, an increase of 18% over FY2007 continuing a positive four year trend.</p>	<p>B1: Increase number of EDI (electronic data interchange) vendors.</p> <p><u>Target #1:</u> 10% increase in the number of EDI (electronic data interchange) vendors.</p> <p><u>Status #1:</u> FY2008, a 7.79% increase over FY2007.</p>
End Result	Strategies to Achieve End Result
<p>C: Improved efficiency of credit card program for state agencies.</p> <p><u>Target #1:</u> Increase rebate on prior year's credit card program by 20% per year.</p> <p><u>Status #1:</u> \$271,207 rebate on credit card program in 2007, a 6% increase over 2006. The rebate continues</p>	

to increase since FY2003's measurement.	
End Result	Strategies to Achieve End Result
<p>D: Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.</p> <p>Target #1: Beginning with the FY2003 Comprehensive Annual Financial Report (CAFR), receive the Government Finance Officers Association (GFOA) certificate annually.</p> <p>Status #1: Received the national GFOA certificate each year since issuing the FY2003 CAFR.</p>	

FY2010 Resources Allocated to Achieve Results							
<p>FY2010 Component Budget: \$8,587,900</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">51</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">51</td> </tr> </table>	Full time	51	Part time	0	Total	51
Full time	51						
Part time	0						
Total	51						

Performance

A: Result - State payroll processing is accurate and timely.

Target #1: 100% of payroll transactions are processed without penalty pay caused by central processing problems.
Status #1: 100% of payroll transactions processed without penalty pay caused by central processing problems (FY2004 - FY2008).

% of payroll expenditures processed without penalty pay caused by central processing problems.

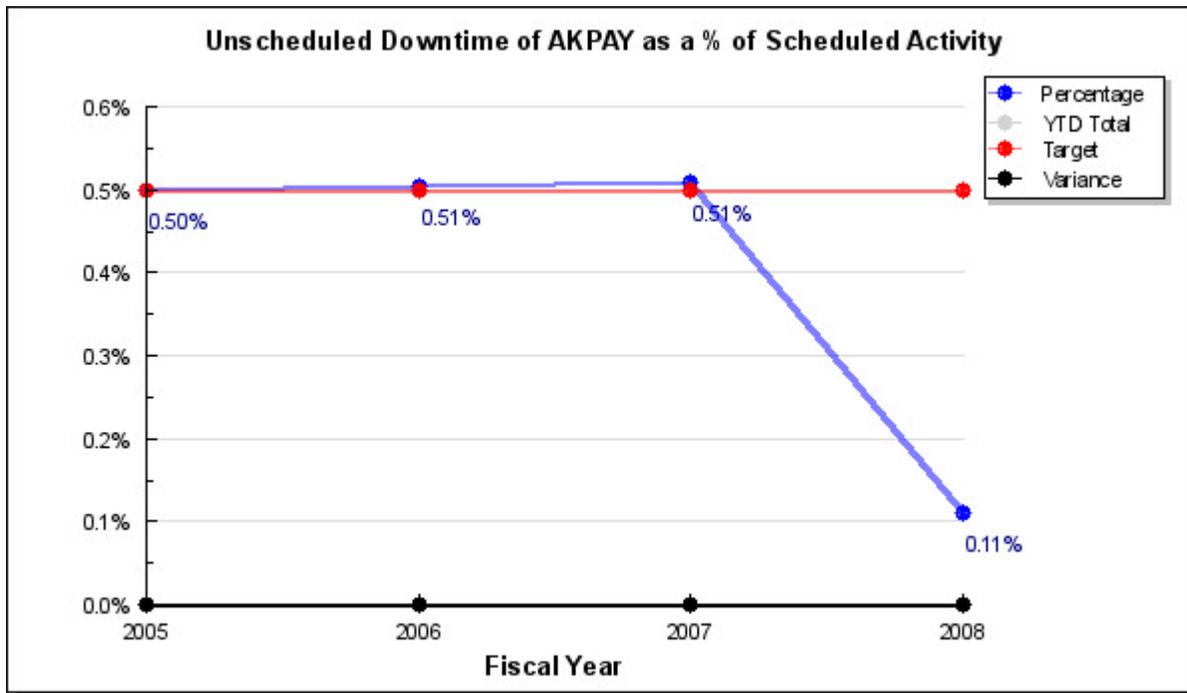
Fiscal Year	YTD Total
FY 2008	100.0%
FY 2007	100.0%
FY 2006	100.0%

Methodology: Data provided on an annual basis.

Analysis of results and challenges: This measure has historically been met without exception, however retaining the measure is important because it measures the state's ability to get out the payroll timely. This effort requires consistent operation of an aging payroll system. Another aspect of the importance of this measure is the magnitude of loss should a payroll system failure occur. Penalty pay alone could be as much as \$500,000 per day.

Target #2: Maintain unscheduled downtime of the statewide payroll system (AKPAY) at less than 0.5%.

Status #2: FY2008, maintained less than 0.5% of unscheduled downtime of the statewide payroll system (AKPAY)-- .11% for FY2008.



Unscheduled Downtime of AKPAY as a % of Scheduled Activity

Fiscal Year	Percentage	Target
FY 2008	.11%	.5%
FY 2007	.51%	.5%
FY 2006	.505	.5%
FY 2005	.50%	.5%

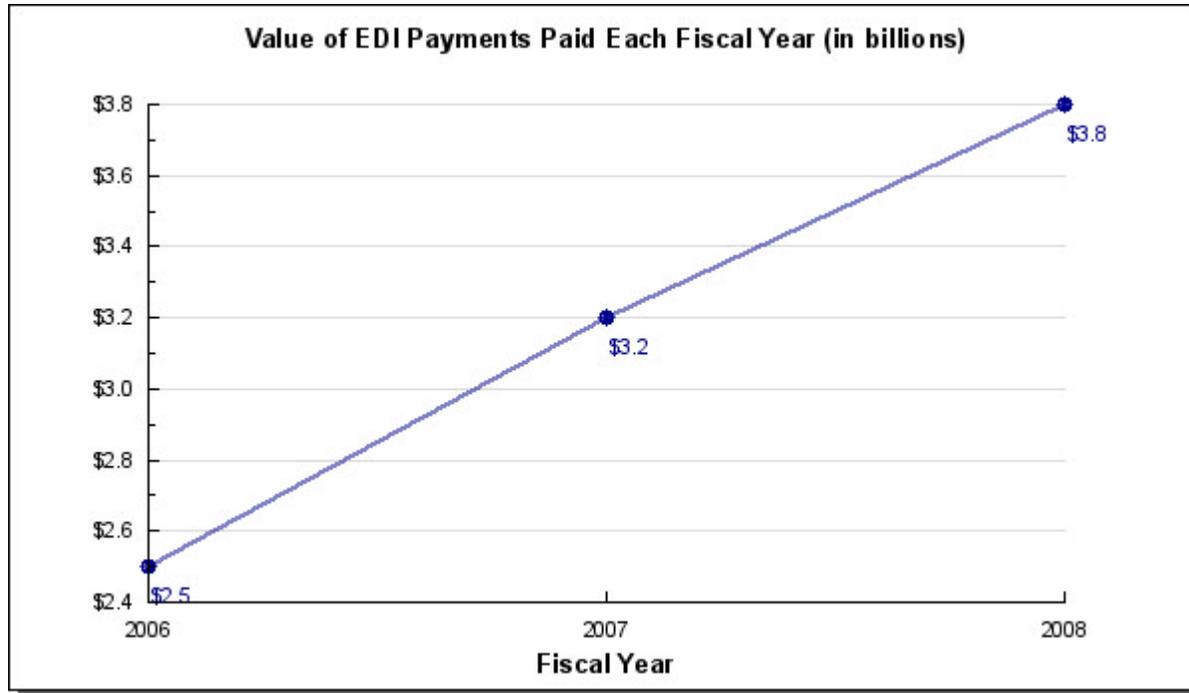
Analysis of results and challenges: *Data provided on a semi-annual basis.

Unscheduled downtime is a measure of the stability of the statewide payroll system. The system must be up for data to be entered for payroll processing.

B: Result - Vendors and grantees are paid timely.

Target #1: Increase dollar value of EDI payments by 5% per year.

Status #1: FY2008, \$3.8 billion dollars paid via Electronic Data Interface, an increase of 18% over FY2007 continuing a positive four year trend.



Value of EDI Payments Paid Each Fiscal Year (in billions)

Fiscal Year	YTD Total
FY 2008	\$3.8
FY 2007	\$3.2
FY 2006	\$2.5

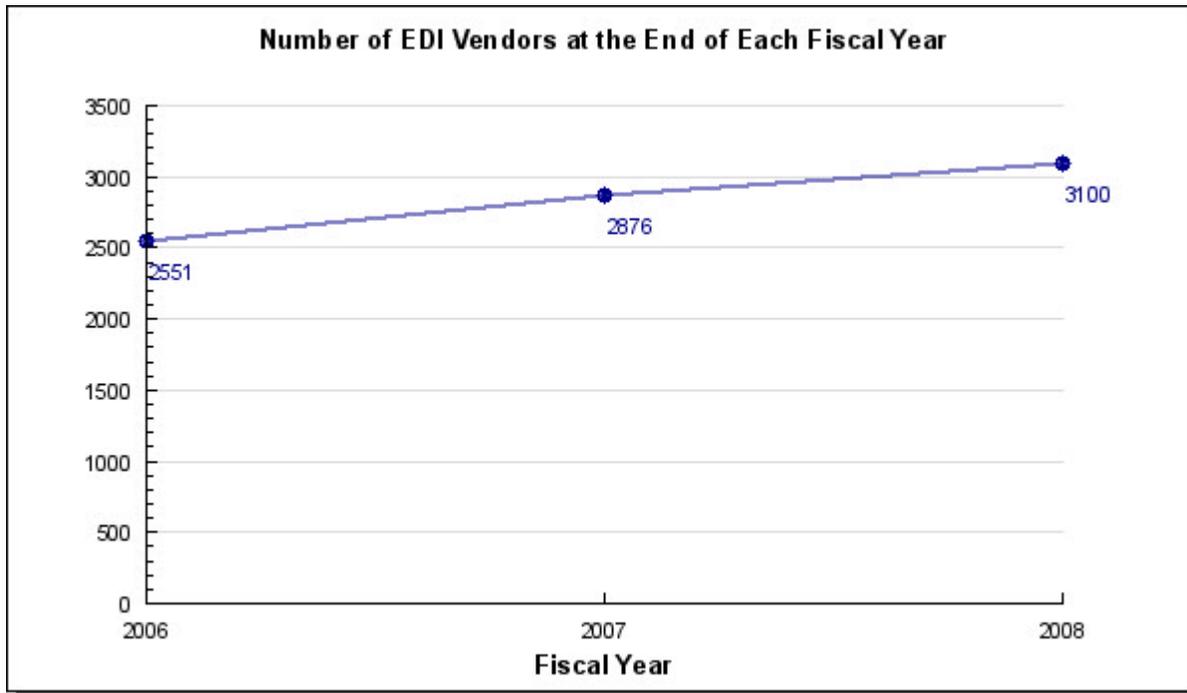
Analysis of results and challenges: * Data provided on an annual basis.

The number and dollar value of EDI payments has increased annually since this measure was instituted. Efforts continue to add vendors and grantees to the electronic payment process. The division has instituted a new infrastructure to allow vendors to research their payment information over the web. Electronic payments are a faster and more secure way to get payments out.

B1: Strategy - Increase number of EDI (electronic data interchange) vendors.

Target #1: 10% increase in the number of EDI (electronic data interchange) vendors.

Status #1: FY2008, a 7.79% increase over FY2007.

**Number of EDI Vendors at the End of Each Fiscal Year**

Fiscal Year	YTD Total
FY 2008	3100 +7.79%
FY 2007	2876 +12.74%
FY 2006	2551

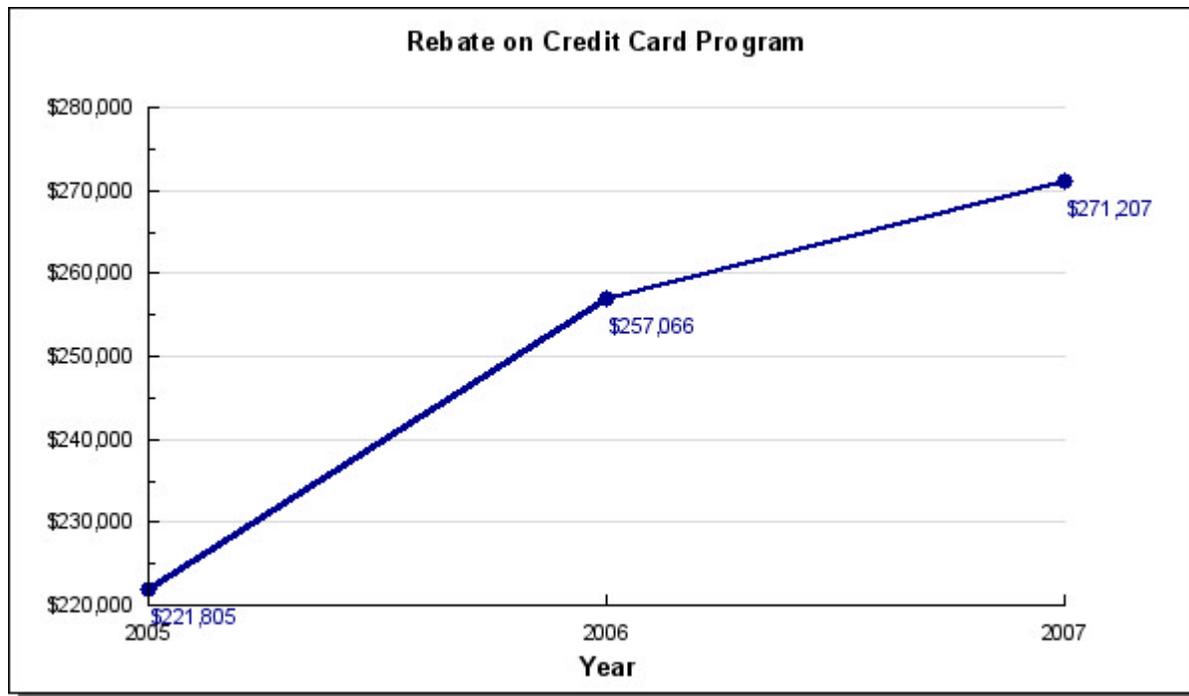
Analysis of results and challenges: * Data provided on annual basis.

The dramatic increase in Electronic Data Interchange (EDI) vendors during fiscal year 2005 and 2006 stems from HB 494, the electronic payments legislation passed during the 2004 legislative session. We continue to add electronic capability to vendors at an accelerated pace. The success of this effort requires a willingness on the part of vendors to switch to electronic payments.

C: Result - Improved efficiency of credit card program for state agencies.

Target #1: Increase rebate on prior year's credit card program by 20% per year.

Status #1: \$271,207 rebate on credit card program in 2007, a 6% increase over 2006. The rebate continues to increase since FY2003's measurement.

**Rebate on Credit Card Program**

Year	YTD Total
2007	\$271,207
2006	\$257,066
2005	\$221,805

Analysis of results and challenges: * Data provided on annual basis.

The credit card rebate has grown each year under the state's contract with First National Bank Alaska which ended in December 2007. In January of 2008 the state implemented a new credit card contract with USBank and there is a new calculation of the rebate which should increase the state's revenues over the life of the contract.

D: Result - Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.

Target #1: Beginning with the FY2003 Comprehensive Annual Financial Report (CAFR), receive the Government Finance Officers Association (GFOA) certificate annually.

Status #1: Received the national GFOA certificate each year since issuing the FY2003 CAFR.

Analysis of results and challenges: The state has received the GFOA certificate on the audited CAFR each year since FY 2003. This is a significant accomplishment, beginning with the state's first unqualified audit opinion on the FY 2002 financial statements. The GFOA certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

Key Component Challenges

~~Aging technology — Statewide accounting, payroll, and human resources systems are built with technology that is no longer current.~~

longer taught in most colleges. When compared to current technology, these systems require more training for users and are more difficult to maintain. The initial effort to procure a replacement for the statewide payroll system failed due to inadequate budget and higher than expected bids. The subsequent attempt to procure a time and attendance solution also failed due to no responsive bidders. The state is now proceeding with an alternative procurement process for the time and attendance solution. We will use the lessons learned to increase the likelihood of success for the next step in the system replacement process – procuring replacements for AKSAS and AKPAY. We anticipate this to be the largest and most complex procurement of information technology and related services in the state's history.

- Development of ALDER – The **ALaska Data Enterprise Reporting System** is the first strategic step toward replacing AKSAS and AKPAY. Data is being converted to the ALDER data warehouse for continued reporting access once these legacy systems are decommissioned, which greatly simplifies the future replacement process. As an added bonus, the information is available in a secure, instantaneous reporting environment to support business decisions in ways unprecedented within the State of Alaska. The technical challenges of converting this data have been substantial, and the project has taken longer than anticipated. Financial reporting conversion was completed in October 2008, and payroll and human resource data is scheduled to take another year.

- Employee Records Review – The Division of Finance is responsible for approximately 193,000 payroll files for current and former employees. These files are full of confidential paper documents that must be retained for 75 years. The division has initiated a multi-year project to review each file for misfiled documents, apply a bar-coded folder label, and rebuild the index system to ensure reliable retrieval. This is a prerequisite to a long-term goal of scanning these documents for electronic retrieval by the future payroll system.

- Continued improvement of training and documentation – The systems and policies for which we are responsible change constantly and new users are added every day. Keeping the training sessions and documentation current requires substantial effort.

Significant Changes in Results to be Delivered in FY2010

The legacy statewide systems for accounting, payroll, and human resources need to be replaced. This effort will take center stage once executive decisions are made on how to proceed.

The division will conduct a comprehensive data security plan for AKSAS and AKPAY in conjunction with Enterprise Technology Services. This effort is needed as part of the “as is” documentation required to replace these systems.

Major Component Accomplishments in 2008

Completed a workforce planning initiative to realign the division's organization chart with current and future workload and personnel requirements. This included interviewing most current employees to gain an understanding of their work goals and timelines.

Trained 925 employees in the use of ALDER. Assisted agency staff with the conversion of their financial reports in decommissioning of the Geneva reporting system in October 2008.

Replaced the expiring contract for credit card payments with U.S. Bank. Converted the statewide credit card program of over 7,700 accounts from the previous contractor to the new program, which provides improved security, more control by individual agencies, and higher rebates.

Without additional resources published the Checkbook Online website to make available to the public information about state payments. This website routinely gets 50 – 100 hits a day, and has spiked to over 2,000 when public interest in Alaska peaks. This is part of the Governor's goal to increase transparency and public access to government. Publishing this information necessitated the Department of Law's and Office of Management and Budget's first comprehensive confidentiality review of state payments, which the division is implementing within the statewide systems it operates.

Ongoing maintenance and enhancement of AKSAS and AKPAY. AKSAS users benefited from several enhancements requested by the State Finance Officer Association. Implemented new bargaining unit contract terms in AKPAY.

Worked with the Division of Personnel to process retroactive paychecks for 15,000 current and former employees.

Implemented web access for vendors to research their electronic payments in response to HB 494 which the 23rd Legislature passed in 2004 requiring the state to move payments to electronic methods. Regulations are now in place.

Received the Certificate of Excellence for Achievement in Financial Reporting from the Government Finance Officer Association. This award is the highest form of recognition in government accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The division received its fifth consecutive annual award for the FY2007 Comprehensive Annual Financial Report.

Statutory and Regulatory Authority

Alaska Statutes Description

09.35.330	Attachment of salary, wages, etc. of employees (mandate)
11.56.210	Unsworn falsification on certifying officer affidavits for systems
11.56.860	Misuse of confidential information
14.40.170	Procedures for care, control, and management by the University of Alaska (UA) Board of Regents of UA monies, receipts, and disbursements
14.40.290	UA property and funds generally
14.40.400	Fund for money from sale or lease of land granted by Act of Congress
14.43.325	Payments to the memorial scholarship revolving loan fund
22.05.140	Judicial pay distribution restriction chief justice
22.07.090	Judicial pay distribution restriction court of appeals judges
22.10.190	Judicial pay distribution restriction superior court judges
22.15.220	Judicial pay distribution restriction supreme court judges
23.30.175	Computation for Workers' Compensation
23.30.220	Determination of spendable weekly wage for Workers' Compensation
23.40	Labor organizations
34.45.320	Payment or delivery of abandoned property
37.05.020	Adoption of regulations
37.05.040	Legal custody of records
37.05.130	General powers, responsible for all accounts and purchases
37.05.140	Accounting system
37.05.142	Accounting for program receipts
37.05.150	Fund and accounts
37.05.165	Petty cash accounts
37.05.170	Restrictions on payments and obligations
37.05.180	Limitation on payment of warrants
37.05.190	Pre-audit of claims
37.05.200	Pre-audit of receipts
37.05.210	Fiscal reporting and statistics
37.05.285	Payment for state purchases (includes interest provisions)
37.05.500	Special funds
37.05.510	Working reserve account
37.05.910	Applicability to University of Alaska (uniform financial procedures)
37.05.920	Fiscal year
37.10.010	Disbursements
37.10.030	Responsibility of officer or employee approving or certifying voucher
37.10.050	Charges for state services; collection, accounting, and deposit of state money
37.10.088	Department of Administration authorized to make advances to the University
37.15.012	Continuing debt service appropriation
37.15.170	State bond committee to certify annual principal, interest, and reserve requirements
37.25.010	Unexpended balances of one-year appropriations
37.25.020	Unexpended balances of appropriations for capital projects

37.25.050	Methods of disbursement
39.20	Compensation and allowances (includes travel regulations)
39.25	State Personnel Act - availability, confidentiality, and retention of employee information
39.27.025	Shift differential
39.30	Insurance and supplemental employee benefits
39.35.680	Definition of compensation for retirement system
39.40	U.S. savings bonds
39.45	Deferred compensation plan
43.05.170	Payment of warrants
44.17.010	Delegation of functions
44.17.030	Adoption of regulations
44.21.020	Duties of department. (2) keep general accounts, (3) approve vouchers and disburse funds for all purposes
44.21.040	Records or accounts of claims and warrants
44.62	Administrative procedure act
44.77	Claims against the state

Federal Requirements

Internal Revenue Code

Federal Insurance Contributions Act

Fair Labor Standards Act

Federal Unemployment Tax Act

Family and Medical Leave Act

Federal Child Support Regulations

Federal Maritime Act

Cash Management Improvement Act

Freedom of Information Act

North American Free Trade Agreement (NAFTA)

U.S. Office of Foreign Asset Control Sanctions

2 CFR, Part 225 (formerly U.S. Office of Management and Budget - Circular A-87) Cost Principles for State and Local Governments

U.S. Office of Management and Budget - Circular A-102, Grants and Cooperative Agreements with State and Local Governments

U.S. Office of Management and Budget - Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

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**Finance
Component Financial Summary**

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,437.8	4,910.2	5,123.2
72000 Travel	22.5	3.0	3.0
73000 Services	2,735.1	3,206.2	3,427.3
74000 Commodities	52.3	34.4	34.4
75000 Capital Outlay	5.2	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,252.9	8,153.8	8,587.9
Funding Sources:			
1004 General Fund Receipts	4,916.1	5,474.8	5,647.8
1005 General Fund/Program Receipts	213.2	463.2	603.2
1007 Inter-Agency Receipts	1,746.8	1,709.9	1,831.0
1061 Capital Improvement Project Receipts	376.8	505.9	505.9
Funding Totals	7,252.9	8,153.8	8,587.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	57.5	0.0	0.0
Unrestricted Fund	68515	0.1	0.0	0.0
Unrestricted Total		57.6	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	1,746.8	1,709.9	1,831.0
General Fund Program Receipts	51060	213.2	463.2	603.2
Capital Improvement Project Receipts	51200	376.8	505.9	505.9
Restricted Total		2,336.8	2,679.0	2,940.1
Total Estimated Revenues		2,394.4	2,679.0	2,940.1

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	5,938.0	0.0	2,215.8	8,153.8
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	173.0	0.0	0.0	173.0
Proposed budget increases:				
-AKSAS/AKPAY Chargeback	0.0	0.0	121.1	121.1
-One Card Rebate Increase	140.0	0.0	0.0	140.0
FY2010 Governor	6,251.0	0.0	2,336.9	8,587.9

**Finance
Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	51	51	Annual Salaries	3,447,531
Part-time	0	0	COLA	137,842
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	1,726,309
			<i>Less 3.55% Vacancy Factor</i>	(188,482)
			Lump Sum Premium Pay	0
Totals	54	54	Total Personal Services	5,123,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	7	0	7
Accountant IV	0	0	8	0	8
Accountant V	0	0	3	0	3
Accounting Tech I	0	0	2	0	2
Accounting Tech II	0	0	1	0	1
Administrative Assistant I	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Officer II	0	0	1	0	1
Analyst/Programmer II	0	0	3	0	3
Analyst/Programmer IV	0	0	7	1	8
Analyst/Programmer V	0	0	3	0	3
College Intern III	0	0	1	0	1
Data Processing Mgr III	0	0	2	0	2
Division Director	0	0	1	0	1
Human Resource Technician II	0	0	3	0	3
Payroll Manager	0	0	1	0	1
Payroll Specialist I	0	0	2	0	2
Payroll Specialist II	0	0	3	0	3
Payroll Specialist III	0	0	1	0	1
State Accountant	0	0	1	0	1
Student Intern II	0	0	1	0	1
Totals	0	0	53	1	54